

MUTUAL AID FUND TRUSTEES MEETING
Sheraton Waikiki Hotel
Saturday, July 21, 2001

A G E N D A

1. Call to order.
2. Roll Call. [ROLL CALL]
3. Approval of Agénda for July 21, 2001. [AGENDA]
4. Approval of Minutes for January 20, 2001. [MINUTES]
5. Financial Reports. (12/1/00 to 6/30/01) [ITEM #1]
6. Audit. (1/1/00 to 12/31/00) [ITEM #2]
7. Investment Report. (6/30/01) [ITEM #3]
8. Income and Benefit Report. (6/30/01) [ITEM #4]
9. Plan Description. [ITEM #5]
 - a. Revision to page 3, Payment for the following will not be made: to add, 6. Long-term care (i.e., Long-term care facilities or care homes).
10. Best Rescue Systems, Inc.
11. Adjournment.

Document E

**Mutual Aid Fund Trust
United Public Workers**

**Financial Statements
December 31, 2000 and 1999**

Wachi & Watanabe, CPA, Inc.

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Honolulu, Hawaii 96813
Phone: 536-4444

**Mutual Aid Fund Trust
United Public Workers**

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Wachi & Watanabe, CPA, Inc.

CPA & Financial Corporation
Certified Public Accountants

Stanley S. Wachi, CPA
Managing Director
Paul H. Watanabe, CPA
Senior Director
Anna M. Noriak, CA
Senior Manager

Independent Auditors' Report

Mutual Aid Fund Trust
United Public Workers

We have audited the accompanying statements of financial position of Mutual Aid Fund Trust of United Public Workers as of December 31, 2000 and 1999 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mutual Aid Fund Trust of United Public Workers as of December 31, 2000 and 1999 and the result of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

On January 31, 2000, a lawsuit was filed against Best Rescue System, Inc., for defaulting on amounts owed on promissory notes aggregating \$1,100,000 as of December 31, 1999. The collectibility of the amounts owed and the outcome of the pending litigation is unknown. Management feels that the note balance of \$1,100,000 plus accrued interest of \$63,663 may be uncollectable and so these amounts were charged off as a loss in 2000 (see Note 3).

Honolulu, Hawaii
February 14, 2001

**Mutual Aid Fund Trust
United Public Workers**

Statements of Financial Position

	<u>December 31, 2000</u>	<u>December 31, 1999</u>
Assets		
Current assets		
Cash and cash equivalents (note 1)	\$ 294,413	\$ 300,272
Accounts receivable - United Public Workers	3,697	15,723
Investment in marketable securities (note 1)	871,495	966,219
Note receivable (note 3)	-	1,100,000
Interest receivable	3,280	64,392
Prepayments	1,223	320
Total current assets	<u>1,174,108</u>	<u>2,446,926</u>
Other asset		
Software, net of accumulated amortization of \$39,500 in 2000 and \$39,500 in 1999 (note 1)	-	-
	<u>1,174,108</u>	<u>2,446,926</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	3,696	2,177
Claims payable	28,330	28,360
Total current liabilities	<u>32,026</u>	<u>30,537</u>
Net assets - Unrestricted	<u>1,142,082</u>	<u>2,416,389</u>
	<u>\$ 1,174,108</u>	<u>\$ 2,446,926</u>

See notes to financial statements

**Mutual Aid Fund Trust
United Public Workers**

Statements of Activities

	Year ended December 31, 2000	Year ended December 31, 1999
Unrestricted net assets		
Revenues		
Membership contribution	\$ 179,683	\$ 191,789
Interest income	28,813	138,272
Dividend income	4,151	120
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	212,647	330,181
Expenses		
Claim payments (note 2)	197,880	178,620
UPW administrative service fees (note 5)	24,000	24,000
Investment management fees	5,930	-
Investment advisory fees	1,214	14,565
Professional fees	5,521	5,208
Office supplies	248	-
Software support	927	1,336
Bank service charges	25	1,254
Printing	-	217
Foreign tax	34	-
Amortization of software (note 1)	-	3,750
Insurance expense	2,371	128
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	238,150	229,078
Increase (decrease) in unrestricted net assets before gain on investments	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
	(25,503)	101,103
Gain (loss) on investments		
Realized gain on sale of securities	37,053	40,230
Unrealized gain (loss) on securities (note 1)	(122,194)	31,871
Loss - note and interest receivable (note 3)	(1,163,663)	-
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	(1,248,804)	72,101
Increase (decrease) in net assets	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
	(1,274,307)	173,204
Net assets at beginning of year	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
Net assets at end of year	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
	\$ 1,142,082	\$ 2,416,389

See notes to financial statements

**Mutual Aid Fund Trust
United Public Workers**

Statements of Cash Flows

	Year ended December 31, 2000	Year ended December 31, 1999
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (1,274,307)	\$ 173,204
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Amortization of software	-	3,750
Gain on sale of marketable securities	(37,053)	(40,230)
Unrealized (gain) loss on marketable securities	122,194	(31,871)
Loss - note and interest receivable (note 3)	1,100,000	-
(Increase) decrease in operating assets:		
Accounts receivable	12,026	856
Interest receivable	61,112	(59,481)
Prepayments	(903)	(256)
Increase (decrease) in operating liabilities		
Accounts payable	1,519	1,336
Claims payable	(30)	8,340
Net cash provided (used) by operating activities	<u>(15,442)</u>	<u>55,648</u>
Cash flows from investing activities:		
Proceeds from sale of marketable securities	1,050,840	7,788,241
Purchases of marketable securities	(1,041,257)	(7,350,247)
Increase in note receivable	-	(850,000)
Net cash provided (used) by investing activities	<u>9,583</u>	<u>(412,006)</u>
Net decrease in cash	(5,859)	(356,358)
Beginning cash	<u>300,272</u>	<u>656,630</u>
Ending cash	<u>\$ 294,413</u>	<u>\$ 300,272</u>

**Mutual Aid Fund Trust
United Public Workers**

**Notes to Financial Statements
December 31, 2000 and 1999**

Significant accounting policies

Cash and cash equivalents

In the preparation of the statement of cash flows, the Trust considers all time certificates of deposit with a maturity of three months or less at acquisition to be cash equivalents. Cash and cash equivalents are composed of the following as of December 31:

	<u>2000</u>	<u>1999</u>
Cash and money market funds	\$ 84,521	\$ 300,272
Certificates of deposits	<u>209,892</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 294,413</u>	<u>\$ 300,272</u>

Investments

Marketable securities consist of investments in common stocks, government bonds, and non-government bonds that are carried at fair market value. Investments are composed of the following as of December 31:

	<u>2000</u>	<u>1999</u>		
<u>Marketable securities</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Common stocks	\$ 872,155	\$ 735,162	\$ 659,948	\$ 695,187
Government bonds	100,699	105,991	274,400	271,032
Non-government bonds	<u>29,015</u>	<u>30,342</u>	<u>-</u>	<u>-</u>
Total marketable securities	<u>\$ 1,001,869</u>	<u>\$ 871,495</u>	<u>\$ 934,348</u>	<u>\$ 966,219</u>

**Mutual Aid Fund Trust
United Public Workers**

**Notes to Financial Statements
December 31, 2000 and 1999**

Note 1- Significant accounting policies (continued)

The following summarizes the relationship between carrying values and market values of investment assets:

	<u>Carrying value</u>	<u>Market value</u>	<u>Unrealized gains (losses)</u>
Common Stocks	\$ 659,948	\$ 695,187	\$ 35,239
Government bonds	<u>274,400</u>	<u>271,032</u>	(<u>\$ 3,368</u>)
Balance, December 31, 1999	<u>\$ 934,348</u>	<u>\$ 966,219</u>	<u>\$ 31,871</u>
Common Stocks	\$ 863,975	\$ 735,162	(<u>\$ 128,813</u>)
Government bonds	100,699	105,991	5,292
Non-government bonds	<u>29,015</u>	<u>30,342</u>	<u>1,327</u>
Balance, December 31, 1999	<u>\$ 993,689</u>	<u>\$ 871,495</u>	<u>(<u>\$ 122,194</u>)</u>

Fixed and Intangible Assets

Fixed and intangible assets are stated at cost. Depreciation and amortization are determined using the straight-line method over the estimated useful lives of the related assets. Expenditures for supplies, maintenance and repairs are charged to expense as incurred, whereas, expenditures for fixed and intangible assets that have useful lives in excess of one year are generally capitalized.

Concentrations of Credit Risk

The Trust's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents. As of December 31, 2000, the trust maintains its cash accounts primarily in a Hawaii bank. The total cash balances are insured by the FDIC up to \$100,000 per bank. The trust had cash balances at this bank on December 31, 2000 that exceeded the balance insured by the FDIC in the amount of \$171,221.

**Mutual Aid Fund Trust
United Public Workers**

**Notes to Financial Statements
December 31, 2000 and 1999**

Note 1- Significant accounting policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Note 2 - Organization and purpose

The United Public Workers Mutual Aid Fund Trust is a voluntary hospital benefit plan established for the benefit of the members and employees of the United Public Workers and their families. It is the purpose of this Trust to assist members when they are hospitalized. Members, employees and their family members may voluntarily contribute \$1 per month to the Trust, entitling them to a hospital benefit of \$30 per day while hospitalized for a maximum period of 60 days per year.

Note 3 - Note Receivable

On November 24, 1998, the trust invested \$250,000 in Best Rescue Systems, Inc. (Best). During 1999 an additional \$850,000 was invested. The invested amounts are evidenced by promissory notes bearing interest at 18% per annum, with interest only payable each month. The notes are secured by all property, equipment, and assets of Best and all shares of stock in Best owned by Robert Kirkland. The trust had the option to convert its investment into common stock of Best after a due diligence period.

On January 31, 2000, the Trust filed a lawsuit against Best and Mr. Kirkland for defaulting on amounts owed on promissory notes aggregating \$1,100,000 plus accrued interest. Although the likely outcome of the litigation is unknown at this time, management feels that the amounts may be uncollectable. As such, amounts owed were charged off as a loss in 2000.

Note 4 - Income tax status

The Trust is exempt from federal income tax under IRC Sec. 501 (c)(9), and state income tax under HRS 235-9. The Trust is exempt from income taxes as a welfare benefit plan, and is subject to the provisions of the Employee Retirement Income Security Act of 1974.

**Mutual Aid Fund Trust
United Public Workers**

**Notes to Financial Statements
December 31, 2000 and 1999**

Note 5 - UPW administrative service fees

The Trust pays the United Public Workers a monthly fee of \$2,000 for processing member claims, rent, computer maintenance, supplies and utilities.